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SUBJECT: AZERBAIJAN: ECONOMIC/ COMMERCIAL ROUNDUP

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¶11. SUMMARY: This cable is the first in a regular series that will summarize economic and commercial issues in Azerbaijan. In this issue: President Aliyev refuses to sign Parliament's "mole" law that would have put a GOAJ-chosen deputy into every foreign company; Azerbaijan Airlines (Azal) works with Boeing to improve its in-house maintenance capabilities; the Wicks Group reports that Azal is moving on schedule towards FAA certification that would open its New York route; Lufthansa's 700,000 Euros are unfrozen while the court case against it for a six-hour delay in December 2008 continues; Azerbaijan's ruling class constructs a luxury gated community featuring the country's first golf course; the President's ego project to construct the World's Tallest Flagpole, to top the current record holder North Korea, nears completion; and the Heydar Aliyev foundation helps poor France restore Versailles. End Summary.

¶12. Parliament's "mole" law is dead (for now?): Presidential Economic Adviser Vahid Akhundov informed the Charge d'Affaires on September 1 that President Aliyev did not sign the proposed amendment to the Law on Entrepreneurship Activity that passed Parliament on June 22 and instead returned the law to Parliament. The Amendment, had it been signed by President Aliyev, would have required that "deputies," or Vice Presidents, of all foreign companies and companies with majority foreign investment in Azerbaijan be citizens of Azerbaijan chosen jointly by the foreign company and the GOAJ (Ref A). Akhundov said that the President and the Presidential Administration had not been consulted by parliament during the drafting of the amendment, and had not reviewed the proposed text ahead of the June vote. It is unclear what revisions may be included, and it is possible that Parliament will decide not to make any revisions but rather let the legislation quietly disappear. Embassy Baku will continue to work in partnership with AmCham to monitor developments.

¶13. Boeing's man in Baku: Econoff met with Rifat Kocal, a Turkish-American Boeing employee recently assigned to Baku. He will provide technical assistance to Azerbaijan Airlines (Azal), which wishes to increase its maintenance capabilities and outsource less work to maintenance centers in Turkey and Israel. Rifat says Boeing and Azal are in talks to convert Azal's order for four 737s into a possible 767 order (quantity TBD), but nothing is finalized. This upgrade to larger aircraft is curious, given that Azal claimed it had to cancel the 737 order because "market conditions" and economic problems meant it could no longer afford to purchase the jets (Ref B).

¶4. Azal on Schedule for New York: Former Acting FAA Administrator Barry Valentine visited Baku with the Wicks Group, a consulting group working on a USTDA-funded grant to help Azerbaijan Airlines (Azal) achieve the Category I FAA rating necessary to begin flights to the United States. Katya Grimes and Glenn Wicks traveled with Valentine, and the group reported that they have "never had any problems" with Azerbaijan Airlines. COMMENT: This is a marked contrast to Boeing's experiences. We suspect Azerbaijan Airlines has a very strong interest in beginning its New York flights, which it sees as a prestige route. This may be why they have worked hard with the Wicks Group to achieve the necessary Category I rating, and why they have never threatened to cancel their order for Boeing's long-haul 767 and 787 aircraft, but rather only their order for short-haul 737 aircraft. End Comment.

¶5. "Gluckwunsche zu Lufthansa": This means "Congratulations to Lufthansa," who on Thursday won a court ruling to unfreeze 700,000 Euros that had been held while the case brought by seven passengers as compensation for a six-hour delay was being decided (Ref C). Once the judge issues a written ruling (expected within the next couple of days) Lufthansa can show that ruling to the International Bank of Azerbaijan and have their accounts unfrozen. The core issue (whether or not the passengers should be compensated for their delay) has been postponed to a hearing on September 18. Background: a warning light on the nose gear forced a Baku-bound Lufthansa jet to divert to Ashgabat, where weather conditions were better. The passengers were taken off and put on a Turkmen jet to Baku while a technician was flown in from Frankfurt to fix the nose gear.

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¶6. Dream Island to be a reality? Zarifa Mirzoyeva outlined the plans of the Park Bulvar development company to Econoff on September 2. A joint venture between Azersun and South Korean conglomerate Kolon, the development features luxury "villas, ranch houses, and mansions" clustered around Azerbaijan's first golf course. Mirzoyeva said there would also be a "protocol building" for the President of Azerbaijan to hold functions, and that the group hoped to attract an international school and an international hospital. In related news, Azersun also plans to open the "Park Bulvar" mall in February 2010, also in partnership with Kolon. This waterfront shopping mall will feature a planetarium, movie theatres, and a "screen golf" game. The mall will be anchored by a 1,200 square meter (13,000 square foot) branch of UK retailer Debenhams.

¶7. Step aside Turkmenistan and North Korea, there's a new number one: Plans for Azerbaijan's "National Flag Square" are underway and a very tall flagpole can now be seen from miles away. Reports say that President Aliyev asked for the height to be increased so that it would be not just the world's tallest "free-standing" flagpole (beating out Turkmenistan's 436-foot Ashgabat flagpole) but the world's tallest flagpole, bar none. At 531 feet, Azerbaijan's flagpole will be 6 feet taller than the one at North Korea's "propaganda village" of Panmunjeon (which is not free-standing, but rather built atop a tower.) Azerbaijan's flagpole does not yet have a flag, and it's not clear when the project will be finished.

¶8. Azerbaijan wants to help poor France restore Versailles: Eurasianet.org and APA report that the Heydar Aliyev foundation has made a 40,000 Euro donation for the restoration of two fourteenth-century stained-glass windows at Cathedrale de Notre Dame in Strasbourg, France. According to the reports, Heydar Aliyev foundation spokesperson (and Member of Parliament) Ganira Pashayeva confirmed they would also fund the restoration of two "monuments" at Versailles (the reports did not specify which monuments or the cost.) Eurasia.net quotes Strasbourg mayor Roland Ries as saying "The Heydar Aliyev Foundation's support for the Cathedral is Azerbaijan's endowment to the European cultural heritage..."

It is a generous gesture."
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